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CHARLES ELMORE CROPLEY

IN THE

Supreme Court of the United States

OCTOBER TERM, 1944.

No. 202

LANDIS MACHINE COMPANY, *Petitioner,*

v.

CHASO TOOL COMPANY, INC., *Respondent.*

PETITIONER'S REPLY BRIEF ON PETITION FOR WRIT OF CERTIORARI.

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PRESS OF BYRON S. ADAMS, WASHINGTON, D. C.

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In view of the nature of Respondent's argument in its brief in opposition to Petitioner's petition for certiorari, the fact that the record in this case comprises 4,261 pages, and to present to the Court what we deem to be the facts which should be controlling in determining the applicable law, the following comments on Respondent's brief are respectfully submitted.

Respondent's Point I.

Respondent's argument under point I fails to point out that the chasers in suit differ from other cutting tools in that they (1) include means to assure proper tracking of successive chasers of each set, (2) are provided with par-

ticular clearances known as nut clearances to enable the chasers to feed the work and cutters relative to each other at a desired rate to give the thread the desired lead, (3) are designed to impart the forces to the head mechanism to trip the head, disengage the chasers from the work and break off the final thread chips clearly, (Findings 65 to 68, R. 4156, 4157) and that the parts of the combination other than the chasers are usable alone (Findings 61, 68, R. 4156, 4157), that the proportions of the chasers in suit were varied to cooperate more efficiently with the other parts of the combination (R. 313, 314), that the nut clearance was effectively reduced in the chasers in suit to improve the threading characteristics of the combination (R. 447, 448), that the chasers in suit will not fit in plaintiff's prior art head, DX-59 (F. 221, R. 4184), and that a part, at least, of the improvements effected by the patented structures are due to the combinations of elements recited in said claims (F. 214, R. 4183). These factors refute Respondent's statement midway of page 3 of its brief asserted to be sustained by pages 171, 644 and 645 of the record.

Respondent's argument also overlooks the fact that Petitioner's tangent chasers, unlike competitive radial chasers obtainable on the market, can be individually reground and reset to accurate cutting position 40 to 200 times (Findings 55, 70 and 71, R. 4155, 4157). As a consequence, Petitioner's chasers, due to the particular combinations involved, enable purchasers to make 160 to 800 repair operations before the life of a set of four chasers is exhausted. And before the life of a set of chasers costing an average of $9.00 per set (Finding 24, R. 4150) when used with Petitioner's heads costing an average of $160, (Finding 22, R. 4150) and useful as a tool chuck for other tools (Findings 60, 61, R. 4155, 4156) from 200,000 to 1,000,000 steel work pieces may be threaded (Findings 69, 71, R. 4157) so that even if the purchaser bought only one set of chasers with a head and then threw them away he would have had the benefit of a reasonable life for his whole expenditure out of the thread cutting combinations alone.

The question posed by Respondent at the bottom of page 9 therefore should read:

> "May the owner of a patent covering a novel combination of a special tool chuck useful independently of the patented combination and a particular type of tool which performs cutting operations and in addition feeds and controls automatic operation of the whole combination enjoy the exclusive manufacture and sale of the combination defined by the patented combination claims allowed because of the new and superior functioning of the patented combinations?"

This question, it is submitted is not answered by the decision of this Honorable Court in *Mercoid Corporation* v. *Mid-Continent Investment Company*, 320 U. S. 661, 88 Law Ed. 262; *Wilson* v. *Simpson*, 9 How. 109, 50 U. S. 109, 13 Law Ed. 66, or any of the other decisions relied upon by Respondent, since all those decisions are based, first, on an implied right arising by reason of the terms of sale; second, the fact that the remainder of the combination is useless without the exhausted part; and, third, that the price paid the patent owner entitles the purchaser to continue the combination in use to obtain a fair return on his money. Here, where the patent owner and his purchasers deal openly with each other in a manner to negative an implied license to replace the exhausted part, where the heads are usable without the chasers, and where the price charged for the thread cutting combination (Petitioner's Main Brief pp. 16 and 17) is entirely fair for the limited use sold, the exhausted elements of these decisions clearly are not the exact counterpart of Petitioner's chasers and we respectfully submit the decisions relied upon by Respondent do not control the issues here presented.

Respondent's Point II.

Contrary to Respondent's suggestion (Respondent's Brief pp. 10 and 11) Petitioner does not seek to avoid the rule of *Wilson* v. *Simpson* by its license and patent notices.

By these notices it advises customers of its patent protection, and that purchasers of heads or holders do not include implied licenses to convert them into the patented thread cutting combinations. Petitioner is compensated under its patent rights by purchase of the chasers used in the assembly and a license from Petitioner. Such notices do not prevent Respondent from selling the particular chaser covered by Petitioner's expired patents nor do they circumvent the rule in *Wilson* v. *Simpson* and like cases relied upon by Respondent, all of which are based on the implied license doctrine, and the fact that the remainder of the combination is of no utility without the cutter blades.

Respondent's Point III.

Respondent, at page 11 of its brief, says that Petitioner's patent notices inevitably lead purchasers to believe they are compelled to purchase all the chasers used in these die heads from Petitioner.

Referring to Petitioner's notices (Findings 291 to 298, R. 4191 to 4196), it is clear that purchasers of Petitioner's patented die heads are given notice not to assemble the patented thread cutting combinations unless they buy the chasers from Petitioner with the license to assemble the patented combinations. It is difficult to see how any notice could be more clearly worded to protect Petitioner's rights in the combination itself rather than any specific element. Nowhere in these notices is there any wording compelling purchasers to make any purchase from Petitioner. Surely Petitioner should not be forced to sell the separately useful heads and holders in such manner that purchasers thereof also acquire the right to assemble the whole patented combination. The injustice of this contention, we submit, will be apparent upon consideration of the remarkably low threading costs (Petitioner's main brief, p. 17) which Petitioner's sales methods assure purchasers and the public.

Respondent's Point IV.

While it may be true that this Court need not consider clarifying its decision in *Mercoid Corporation* v. *Mid-Continent Investment Company* if it upholds the decision of the Court of Appeals 6th based on *Wilson* v. *Simpson*, and the *Carbice* and *Leitch* decisions, it is respectfully submitted that a clarification of the Mercoid ruling will be essential if Petitioner's position on these earlier cases, which we submit is correct, is upheld. Furthermore, it would be most desirable, as suggested by the Court of Appeals' opinion (R. 4252) and the Patent, Trade-Mark and Copyright section of the American Bar Association (see page 130 of the American Bar Association's 1944 convention publication entitled "Advance Program" Chicago, September 11-14, 1944), to obtain clarification of the Mercoid rule in a fact situation truly comparable to the case of *Leeds & Catlin* v. *Victor Talking Machine* (No. 2), 213 U. S. 325, 53 L. Ed. 816, 29 S. Ct. 503, to enable the Courts, the Patent Office, patent owners and others to fully comprehend the scope of the revision made in the doctrine of the *Leeds & Catlin* rule which has been the rule for the past thirty-five years.

Respondent's Point V.

Respondent, on page 13 of its brief, suggests that Petitioner sells chasers on condition that the purchaser buy Petitioner's die heads and sells its die heads on condition the purchaser buy Petitioner's chasers. This contention, so far as Petitioner can determine, is not supported by its notices and licenses and there is no other agreement or understanding imposed by Petitioner which could have such an effect. While it is true that the Court of Appeals stated "Compulsion is there whether expressed or not." (R. 4258), it should be noted that such compulsion as may exist is not the result of the notices or conditions of sale but arises from the natural and intended operation of the patent laws, because Petitioner's patents contain combination claims the disregard of which would subject an unlicensed

assembler or user to responsibility for infringement. Such compulsion, if it may be called compulsion, is lawful since it is the natural consequence of Petitioner's combination patents and our patent law. If such compulsion is not permissible, the Court of Appeals' remarks (R. 4251, 4252):

> "May we, however, without impropriety, suggest a doubt whether, for practical purposes, much is left of that other doctrine, that a combination of old elements is inventive if it produces a new and useful result, for if one supplier may furnish an integral part specifically intended for use in the patented combination, with no other use apparent, without being guilty of infringement, other manufacturers may do likewise in respect to other parts."

become particularly significant and we submit a clear line between the limitations of the Clayton Act and the rights granted by the patent law should be laid down for guidance of the courts, patent owners and the public in general.

Respondent's Point VI.

Respondent under point VI questions the validity of Petitioner's patents. The Court of Appeals specifically refused to rule on this question (R. 259), because to do so required consideration of the several thousand pages of expert testimony, the fourteen complicated machine tool patents in suit, the various machines upon which the patented structures are usable as a result of the claimed improvements, and the reasons why the many prior art heads are incapable of use on such machines. It is therefore respectfully submitted Petitioner should have the benefit of consideration and an opinion by the Court of Appeals on the question of validity before it is considered and ruled upon by this Honorable Court.

Conclusion.

It, therefore, is respectfully submitted that Petitioner's request for a Writ of Certiorari should be granted to dispose of the questions of contributory infringement, the propriety of Petitioner's patent notices and licenses, the application of the doctrine of misuse of patents and the application of the Clayton Act only.

Respectfully submitted,

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